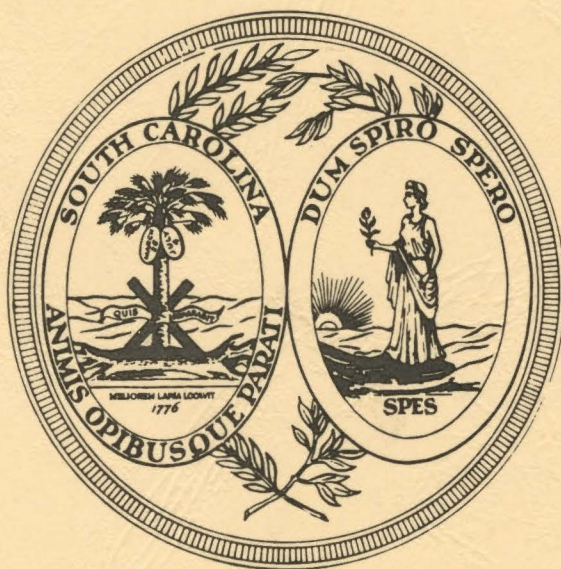


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South Carolina General Assembly



Legislative Audit Council



South Carolina General Assembly
Legislative Audit Council
Program & Operational Review
of the South Carolina
Disaster Preparedness Agency

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THE STATE OF SOUTH CAROLINA
GENERAL ASSEMBLY
LEGISLATIVE AUDIT COUNCIL
PROGRAM & OPERATIONAL REVIEW
OF THE
DISASTER PREPAREDNESS AGENCY
OF
SOUTH CAROLINA

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PREFACE

A fundamental tenet of a democratic society holds that government agencies entrusted with public resources and the authority for applying them have a responsibility to render a full accounting of their activities. No governmental entity should ever be allowed to function beyond the reach of the people or their elected representatives. Total and unconditional disclosure, which is what accountability is all about, must be achieved if decisions are to be made on a basis of honesty, fairness, and objectivity. Accountability should be inherent to the governmental process. It is to this end that this report and all other work performed by the Legislative Audit Council is dedicated.

OVERVIEW

The Legislative Audit Council, in its audit of the South Carolina Disaster Preparedness Agency (DPA), has developed many findings which relate directly to the ability of that agency to function efficiently and effectively.

The primary objective of this audit is to provide guidelines for making improvements which would benefit DPA, State government in general, and the citizens of South Carolina. To accomplish that objective, it is necessary to view each finding and recommendation as part of a total program designed to achieve this goal.

In its audit of the South Carolina Disaster Preparedness Agency, the Legislative Audit Council found numerous instances of inadequate administration and control. Many of these inadequacies appear to result from this agency not being truly accountable to any higher governmental authority.

The Legislative Audit Council feels that it is of primary importance to address this general lack of accountability as a single all-inclusive condition rather than a number of separate problems. It appears that modifications to the structure and organization of DPA are necessary if the condition is to be treated rather than just the symptoms of that condition.

A number of the findings in this report directly address the need for major organizational modifications. When taken together, they indicate that DPA lacks adequate management control. Thus, the agency cannot be held accountable either

internally or externally for the effectiveness of its activities and the efficient and economical use of its resources.

The desirability of a single comprehensive solution to this problem, and the position of the DPA Director as an appointee and agent of the Governor, indicate that this agency and the State of South Carolina could best be served if DPA were placed within the organizational structure of the Governor's Office. The Major Finding and Recommendation of this report addresses this conclusion, and is further reinforced by the findings that follow it.

INTRODUCTION - SCOPE AND PURPOSE

The Legislative Audit Council was created under Act 1136 of 1974, as amended by Act 157 of 1975. The Council consists of three public members, elected by the General Assembly to non-concurrent six year terms, and six ex-officio members: The President of the Senate, the Speaker of the House of Representatives, Chairman of the Senate Finance Committee, Chairman of the House Ways and Means Committee, and Chairmen of the Senate and House Judiciary Committees. The Council employs professional and clerical staff personnel who conduct audits under the supervision of the Council Members.

The Legislative Audit Council provides a number of services to the General Assembly of South Carolina. It conducts audits and investigations of State or State-related agencies and programs as referred to it by the General Assembly, Legislative Committees or Assembly Members, and generates a schedule of audits of the operations of State agencies and departments to be performed periodically.

The audit of DPA was undertaken as part of the Council's schedule of periodic audits. The Council staff performed an extensive analysis of agency documents, policies and activities as well as State and Federal Statutes and Regulations related to DPA operations.

Numerous interviews were conducted with agency personnel, client groups served by DPA, and Federal officials administering programs that affect the agency.

Council staff also examined fiscal practices, purchasing, inventory and utilization of property, and other areas related to the efficiency and effectiveness of DPA.

The major purpose of all audits performed by the Legislative Audit Council, is to determine whether the agency being audited provides an acceptable level of service in the most efficient and economical manner possible.

While these factors are important at all times, they are especially vital during periods of economic decline or uncertainty. The current economic situation demands tighter budgeting and the intelligent use of available funds, yet it is equally necessary to provide high quality service to the citizens of the State. It is the Council's ultimate goal to assist the General Assembly in ensuring that these governmental priorities are met.

The Legislative Audit Council wishes to express its appreciation to the staff of DPA for its cooperation during this audit. Agency personnel, at all levels, provided valuable assistance and information to Council staff in addition to performing their regular duties.

The Council especially wishes to thank Mr. Fred C. Craft, Director of the DPA, and Mr. Franklin S. Lloyd, Agency Liaison for this audit, for their efforts.

AGENCY STRUCTURE

The South Carolina Disaster Preparedness Agency is currently composed of eight (8) divisions:

- (1) General Administration (Executive Staff)
- (2) Administrative Division
- (3) Operations
- (4) Communications
- (5) Community Shelter Planning
- (6) Planning
- (7) Training and Education
- (8) Radiological Maintenance and Calibration

Two of the DPA divisions which are 100% Federally funded are part of a national defense effort. The Community Shelter Planning (CSP) Division's goal is to locate shelters for as many South Carolina citizens as possible, which would protect them to some degree from radiation hazards and the associated effects of nuclear accidents or military attacks. These shelters are also available during natural disasters.

The Planning Division is under a Federal contract to develop a detailed, comprehensive emergency preparedness plan for the entire State. This Division was formed in 1975 after the contract proposal was approved for a two year completion time.

The Operations Division's main responsibility lies in monitoring, evaluating, and strengthening the operational readiness of local Civil Defense Offices. This Division also is the principal coordinator for all civil defense activities that take place within and

between different levels of government. It is funded through the Personnel & Administration (P&A) 50/50 matching funds program.

The Training & Education Division is 100% Federally funded and was added to DPA in 1974. It develops and implements training programs for local Civil Defense on a regularly scheduled basis and in specific response to recommendations by the Operations Division.

The Radiological Defense Division is 100% Federally funded and has two primary functions. It provides initial technical training and refresher training in the techniques of radiological monitoring for Civil Defense personnel throughout the State. In addition, the Radiological Defense Division has calibrating and maintenance responsibility for the approximately 2,000 radiation kits in South Carolina.

The Communications Division (financed through 50/50 matching funds), maintains radio communications system contacts for several State systems such as the Highway Patrol Radio System and the Wildlife Resources Radio System, in addition to DPA's own communication system. It has mobile communications capability for each of these different agency systems. It also maintains links with national level systems such as the National Weather Information System and the North American Air Defense Command's national warning system. During emergency situations the Communications Center is a key point for the coordination of emergency response activities.

The Administrative Division is responsible for all DPA administrative support services. In addition, it administers and accounts for State and Federal funds provided to the agency's budget outside of the 100% Federal contracts. This includes those Federal funds allocated for distribution to local Civil Defense.

These divisions, with a combined staff of 46 people, expended \$1,283,079 in State and Federal funds in FY 1975. It is expected that DPA will expend \$1,382,527 for the fiscal year ending June 30, 1976 (Source, FY 1977 Budget Request).

The Congress of the United States is currently examining legislation which would reduce Federal funding to DPA considerably. Since action has not yet been taken, the Legislative Audit Council is unable to comment on the effects of this legislation, or prepare any State action related to those effects.

If this legislation is passed, the Council will analyze its effects on DPA and issue the appropriate recommendations for State action.

EXCEPTIONS TO THE BUDGET REQUEST

The Council does not perform a fiscal audit similar to that required of the State Auditor. We did, however, analyze DPA's report of actual FY 74-75 expenses as contained in the agency's FY 76-77 budget request. The following deficiencies were noted:

- a. DPA did not report the amount of State and Federal funds expended by each division.
- b. The true costs of operating the federally-supported divisions within DPA were inaccurate, because the costs of administrative support were not allocated to the divisions.
- c. Several employees' salaries and travel expenses were paid from funds of divisions other than those in which they were working. This misstated personnel and travel costs in several divisions.
- d. Personnel and administration grant receipts were not identified by division. It is therefore impossible to determine division funding sources.

Because of the number of deficiencies noted and the cumulative effect of those deficiencies on the agency's accountability and internal control, we feel that DPA's budget request could not present a fair picture of the agency's activities for FY 74-75.

MAJOR FINDING AND RECOMMENDATION

Created under the "South Carolina Civil Defense Act" (Number 888, 1958), this agency was mandated to "...establish a civil defense plan for the State" and, "...coordinate the plan of the State with county defense plans". Under Acts 128 and 410 of 1973, the agency was renamed the "Disaster Preparedness Agency" but retained the basic planning and coordination functions.

The statutes provide for a Director to be appointed by the Governor, who, in the event of a disaster emergency, "...functions as the Governor's Executive Assistant and Chief Adviser for execution of the State Disaster Plan". The Director of DPA is also responsible for "...effecting the necessary coordination of the various State departments, and agencies, counties and municipalities in preparing for and operating in disaster emergencies" and "...coordinat[ing] with and assist[ing] State officials and employees in developing plans for the immediate use of all facilities, equipment, manpower and other resources of the State to minimize or prevent damage to persons or property of the State in disaster emergencies".

In addition to the duties mandated by State law, DPA receives and allocates Federal funds both for its own use and for use by county and municipal Disaster Preparedness and Civil Defense organizations as required by Federal guidelines.

Simply stated, DPA has three functions:

- (1) Planning for disaster operations;
- (2) Coordinating State and local activities in the event of a disaster emergency; and

(3) Receiving and allocating Federal funds.

As the audit progressed, it became evident that DPA's mandated functions were such that the continued existence of that agency as a distinct organizational unit was not the most efficient and effective means of achieving the goals for which the agency was originally organized. This was evidenced in three areas specifically:

ACCOUNTABILITY - The current civil defense statute states that the Disaster Preparedness Advisory Council "shall establish programs and prepare necessary legislation to finance and maintain surveillance of and accountability for the State's disaster preparedness." The Advisory Council has not met on a regular basis and the necessary surveillance and accountability mechanisms have not been established.

It appears that the Advisory Council can provide advice and support to DPA but cannot be expected to monitor the operations of the agency. If the agency is to be accountable for its activities and its use of public funds, it must be directly responsible to some functional authority for its performance.

EFFECTIVENESS - DPA officials expressed concern over the restricted nature of their relationship with past Governors in that communication and coordination between the Governor's Office and the agency itself was not sufficient to achieve agency goals effectively. These officials stated that such communication and coordination is essential if the agency is to effectively carry out its mission.

EFFICIENCY - Many of the management problems disclosed during the audit exist because the mandated goals and functions of DPA, as well as the size of the agency itself, do not require the level of administrative support available within an independently organized agency.

During the course of the audit, inefficiencies were observed that related directly to "economies of scale".

Simply stated, more efficient administration would result if this agency were organized within a larger agency having administrative support capability. The use of support "pools" by a number of organizational units, with functions and staffing levels that do not require that each unit have separate clerical and administrative support, provides for the most efficient and economical means of carrying out agency functions.

The Legislative Audit Council examined the functional similarities of the Governor's Division of Administration, the State Adjutant General's Office and the Disaster Preparedness Agency, and the position of the DPA Director as an appointee and agent of the Governor. Information was gathered concerning the effectiveness and efficiency of DPA as an independent agency and the potential benefits to be accrued from modifying its current administrative and organizational structure.

The benefits to be derived from utilizing the organizational structure of the Adjutant General's Office for this purpose appear to be limited. The Adjutant General's Office is not organized to provide the level of administrative support that is available from the Division of Administration. In addition, communication between DPA and the Governor's Office would not be enhanced by this modification.

At the time DPA was created, there was no central agency or unit within the executive office with the direct responsibility for providing planning assistance and coordination to State agencies and local governments and for allocating Federal funds. The necessity for such a central unit increased as the amount and availability of Federal funding and the related necessity for planning and central coordination increased in recent years. In order to minimize State expenditures, the Division of Administration, within the Governor's Office, was organized in 1971 to provide administrative support to programs primarily funded through Federal grant.

The Council found that the most pervasive inadequacies of DPA, such as the lack of formal, written procedures for its activities, the lack of systems for monitoring these activities (especially in such areas as property control, vehicle usage, travel authorization and reimbursement, personnel utilization, and program effectiveness), the duplication of functions and activities within the agency, and the administrative and clerical support which DPA provides to its Federally funded divisions at unnecessary State expense, would be significantly diminished if DPA were an organizational component of The Division of Administration.

The presence of DPA within the organizational structure of the Division of Administration would provide substantial opportunities for increased efficiency and effectiveness at reduced cost to the State. The Division of Administration's management systems include formal procedures, expenditures and activity guidelines,

and monitoring functions. In addition, the Division provides support services on an indirect cost basis which charges Federal programs for services provided to them.

Recommendation:

- (1) THE GENERAL ASSEMBLY AND THE GOVERNOR SHOULD TAKE THE NECESSARY STEPS TO RELOCATE DPA WITHIN THE ORGANIZATIONAL STRUCTURE OF THE DIVISION OF ADMINISTRATION. SUCH RELOCATION WOULD ENABLE DPA TO BENEFIT FROM THE MANAGEMENT AND MONITORING SYSTEMS USED BY THE DIVISION OF ADMINISTRATION, THUS INCREASING THE EFFICIENCY AND EFFECTIVENESS OF DISASTER PLANNING AND OPERATIONS. BY UTILIZING DIVISION OF ADMINISTRATION SUPPORT POOLS, THE STATE WILL REALIZE SUBSTANTIAL SAVINGS IN THE ADMINISTRATION OF THE DISASTER PREPAREDNESS PROGRAM. IT IS ENTIRELY FEASIBLE THAT SUCH SAVINGS COULD AMOUNT TO 50% OF THE CURRENT ADMINISTRATIVE COSTS (ACTUAL DOLLAR AMOUNT COULD BE AS LARGE AS \$150,000). THE IMPLEMENTATION OF THIS RECOMMENDATION WILL RESOLVE MANY OF THE PROBLEMS ADDRESSED IN THE REMAINDER OF THIS REPORT.

FINDINGS AND RECOMMENDATIONS

Essential to effective management is action which adjusts operations to conform with prescribed, desired, or required standards. The intent of this audit is to provide the Legislature and DPA with timely information as to the achievement of program objectives, and alternatives which may yield desired results at a lower cost. A determination is sought as to whether DPA is managing or utilizing its resources in an economical and efficient manner, and the causes of any inefficiencies or uneconomical practices.

The audit disclosed the following areas which were less efficient or economical than expected, or where a maximum level of effectiveness had not been achieved.

DISASTER PREPAREDNESS SETTING UNREALISTIC GOALS

Legislative Audit Council examination of the activities of DPA in relation to county and municipal Disaster Preparedness and Civil Defense organizations, showed that DPA has set for itself the goal of forcing all county and municipal governments to appoint Disaster Preparedness/Civil Defense Directors.

The current law does not specify the level at which local participation can be classified as acceptable. This allows county and municipal governments to determine the scope of their Disaster Preparedness activities according to their particular needs. This appears to be appropriate because local governments are best able to judge their own needs and their ability to meet those needs both financially and otherwise.

DPA's major objectives (planning and coordinating Statewide disaster emergency activities) can be achieved by maintaining effective communication with local elected officials and other county and municipal personnel, such as sheriff, medical service personnel, etc. In accordance with the agency's current statutory authority, it is inappropriate for DPA to stipulate levels of local participation. Thus, attempts to do so are not conducive to the effective achievement of this agency's mandated objectives.

Recommendations:

- (2) DPA SHOULD CONCENTRATE ITS EFFORTS ON PLANNING AND COORDINATING STATEWIDE DISASTER EMERGENCY ACTIVITIES AND PROVIDING SERVICES AND ASSISTANCE WHEN REQUESTED BY LOCAL ORGANIZATIONS. IN ADDITION, DPA SHOULD CONTINUE TO MAINTAIN AN UP-TO-DATE LIST OF COUNTY AND MUNICIPAL ELECTED OFFICIALS AND OTHER PERSONNEL TO BE CONTACTED FOR PURPOSES OF DISASTER PLANNING, COORDINATING, AND ASSISTANCE, AND TO ENCOURAGE LOCAL GOVERNMENTS TO PROVIDE THE HIGHEST POSSIBLE LEVEL OF DISASTER PREPAREDNESS AND PROTECTION FOR THEIR CITIZENS.
- (3) DPA SHOULD REQUEST THE GOVERNOR AND THE GENERAL ASSEMBLY TO EXAMINE THE AGENCY'S OVERALL OBJECTIVES AND TO DETERMINE WHETHER THE STIPULATION OF COUNTY AND

MUNICIPAL CIVIL DEFENSE AND DISASTER
PREPAREDNESS PARTICIPATION LEVELS IS AN
APPROPRIATE AND REALISTIC FUNCTION
FOR THAT AGENCY. IF THIS FUNCTION IS
DEEMED TO BE APPROPRIATE AND REALISTIC,
MECHANISMS FOR ACHIEVING AND ENFORCING LOCAL
CIVIL DEFENSE AND DISASTER PREPAREDNESS
PARTICIPATION LEVELS SHOULD BE SPECIFIED
IN DPA STATUTES.

LACK OF INDIRECT COST ALLOCATION PLAN

DPA does not have an allocation system for charging the cost of administrative services to Federal programs within the agency. Therefore, the Federally funded programs of DPA are not charged their proportionate share of administrative and support services. Thus, costs are improperly charged and paid from State funds.

An indirect cost allocation plan would bring about an equitable distribution of costs which benefit, but cannot be directly charged to, the divisions. The costs of administration and support services, such as purchasing, personnel, etc., are appropriate costs and should rightfully be charged to the Federal programs.

The lack of an indirect cost allocation plan requires a substantial unnecessary expenditure of State funds and further results in records which do not accurately reflect the agency's operations. According to the Statewide cost allocation plan for

FY 75, prepared by the State Auditor's Office, DPA could have charged up to \$32,863 of indirect State government costs to the Federal programs supported.

In addition, approximately \$61,000 of DPA's internal administrative expenses could have been passed on to Federally funded programs. This would have resulted in an equal reduction in DPA's State appropriation request.

In summary, approximately \$93,863 of administrative support costs, borne by the State, rightfully should have been charged to Federal programs within DPA.

Recommendation:

- (4) IT IS RECOMMENDED THAT DPA DEVELOP, OBTAIN FEDERAL APPROVAL FOR, AND IMPLEMENT AN INDIRECT COST ALLOCATION PLAN. THIS WILL ENSURE AN EQUITABLE AND CONSISTENT DISTRIBUTION OF INDIRECT COSTS TO ALL PROGRAMS AND PROVIDE A MEANS TO RECOVER SUCH ADMINISTRATIVE COSTS AS TELEPHONE, PRINTING, SUPPLIES, PERSONNEL, AND OTHERS. THE PLAN SHOULD REQUIRE MONTHLY DISTRIBUTION OF INDIRECT COSTS TO THE PROGRAMS SERVICED. WE ALSO RECOMMEND THAT DPA BEGIN CALCULATING ITS OPERATING COSTS FOR FY 76 SO THAT THE INDIVIDUAL PROGRAMS CAN INCLUDE, IN THEIR FY 77 BUDGETS, A REASONABLE ESTIMATE

OF THEIR SHARE OF DPA AND STATE
ADMINISTRATIVE EXPENSES. ALL PROGRAM
DIRECTORS SHOULD BE INFORMED WELL IN
ADVANCE AS TO ALL DETAILS OF THE PLAN
INCLUDING THE BASIS USED FOR DETER-
MINING THEIR SHARE OF EXPENSES.

LACK OF ADMINISTRATIVE AND OPERATIONAL PROCEDURES

An important factor in auditing the operations of an agency is determining whether it performs its mandated functions and utilizes its resources (funds, personnel, equipment, etc.) in an efficient and economical manner.

While it is often true that an inefficient agency can provide mandated services just as effectively as an efficient one, it is equally true that an inefficient agency wastes resources providing those services. In the final analysis, it is the taxpayer who must absorb the costs of inefficiency whether services are provided effectively or not.

For this reason, it is especially important for an operational audit to address efficiency factors as deliberately and as completely as possible. To do this, the auditor must first examine the procedures used by an agency to perform its mandated functions. In the case of DPA, the lack of formal, written procedures made this first task extremely difficult.

Written procedures for the administration and control of activities are a generally accepted factor in good management systems. Without such a system an agency is unable to monitor its activities. Thus, it cannot be held accountable for the efficient and economical utilization of resources.

The lack of written procedures also makes it all but impossible for agency personnel who are unfamiliar with certain activities to perform these activities without the assistance of experienced personnel, at least in the initial stages.

Areas such as accounting, property control, personnel, travel, vehicle management, telephone usage, and in-house printing were examined and no formal, written procedures were found. It is of primary importance that a system of formal, written procedures be developed to ensure that DPA is able to function in the most efficient and economical manner possible and so that the agency can be held accountable for its activities.

Recommendation:

- (5) DPA SHOULD DEVELOP AND UTILIZE A MANUAL OF ADMINISTRATIVE AND OPERATIONAL PROCEDURES. THIS MANUAL SHOULD INCLUDE PROCEDURES REQUIRED BY THE STATE FOR ALL AGENCIES AS WELL AS PROCEDURES USED ONLY BY DPA. PROCEDURES MANDATED BY THE FEDERAL GOVERNMENT SHOULD ALSO BE INCLUDED. ALL PROCEDURES SHOULD BE CONSISTENT WITH GOOD MANAGEMENT PRACTICES AND BE CLEAR, CONCISE, AND COMPLETE ENOUGH TO:

- (1) BE UNDERSTANDABLE TO ALL PERSONNEL
AFFECTED BY THEM, AND
- (2) PROVIDE FORMAL CRITERIA FOR MEASURING
PROCEDURAL EFFICIENCY.

NEED FOR INCREASED ACCOUNTING CONTROL

The American Institute of Certified Public Accountants, in Statement on Auditing Standards, No. 1, defined accounting control as follows: (Emphasis in original)

Accounting Control comprises the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:

- a. Transactions are executed in accordance with management's general or specific authorization.
- b. Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements and (2) to maintain accountability for assets.
- c. Access to assets is permitted only in accordance with management's authorization.
- d. The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

We found a number of deficiencies in DPA's system of accounting control. Taken together, their importance is great enough to cast doubt on the reliability of the agency's records.

Separation of Duties

DPA's principal accountant has been placed in a position which requires the performance of purchasing, accounting, and receiving goods. When one person performs these tasks, the control necessary to prevent errors and reduce the possibility of misrepresentation is lost. It appears that this situation has been caused by the agency's rapid expansion in recent years. The funds administered by the agency have increased by more than 100% from FY 72 to FY 75 with minimal expansion in its accounting department. Under such circumstances, experienced personnel are usually required to take on the majority of new work, even though the additional work may be incompatible with their present functions. It is the responsibility of an agency to continually scrutinize internal systems for securing assets, and to upgrade those systems as necessary to ensure that public resources are properly safeguarded.

While no evidence was found to indicate a misappropriation, the potential for such an occurrence exists. The weak property management system of the agency also tends to compound the problem (see Pp 25).

Recommendation:

- (6) DPA SHOULD SEPARATE THE DUTIES OF PURCHASING, ACCOUNTING, AND RECEIVING TO THE EXTENT NECESSARY TO ENSURE ADEQUATE CONTROL, PREVENT ERRORS, AND REDUCE THE POSSIBILITY OF MISAPPROPRIATION.

Need for Control Over Refunds and Receipts

The process by which the agency handles refunds and receipts does not provide sufficient control. Checks delivered to the agency for the refund of over-payments and Federal payments made directly to the agency, are customarily received through the mail by the executive secretary. Having reviewed the mail, the secretary forwards any refunds or other receipts to the accounting department. If necessary, checks are endorsed by the Agency Director. The accounting department sends the checks to the State Treasurer under a standard cover letter for deposit. No log of refunds or receipts is maintained by the executive secretary. Therefore, no cross-reference can be made for the mail receipts.

The system places the accountants in positions to commit errors or fraud as well as to conceal errors or to misappropriate monies and not record checks received.

Recommendation:

- (7) DPA SHOULD DESIGNATE A RECIPIENT OF ALL MAIL AND REQUIRE THAT PERSON TO ESTABLISH AND MAINTAIN A LOG RECORDING ALL REFUNDS AND RECEIPTS AT THE TIME OF EACH MAIL DELIVERY. ALL CHECKS SHOULD BE STAMPED "FOR DEPOSIT ONLY IN ACCOUNT OF DPA (SPECIFY ACCOUNT NUMBER)". THE LOG SHOULD BE RECONCILED ON A MONTHLY BASIS TO THE STATE TREASURER'S DEPOSIT SLIPS. THE RECONCILIATION SHOULD BE

PERFORMED BY THE INDIVIDUAL WHO
RECEIVES THE MAIL AND MAINTAINS
THE LOG. THIS WOULD ISOLATE THE
RESPONSIBILITY FOR ALL AGENCY
REFUNDS AND RECEIPTS.

Need for Property Control

Examination of property and inventory records and equipment acquired by DPA, indicates that the agency's property control systems are inadequate in that they are incomplete, inaccurate, and do not provide the safeguards required by sound management practices. In addition, the agency is not in full compliance with the property management standards in Federal Management Circular (FMC) 74-7.

Legislative Audit Council investigation revealed that no central file, register, or computer printout exists showing all inventory items under the agency's control and listing such information as item description, agency property identification number, item value, location, source, manufacturer's serial number, and disposition.

The information that was available was not always reliable. A survey of existing property records showed the following examples of inadequate property control:

- (1) A trailer used to transport the generator for DPA's communication equipment could not be found in any agency inventory file.
- (2) A Radioactive Source Calibrator valued at \$5,575.00 and carried on DPA's current inventory printout had

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actually been transferred to the U. S. Navy at Charleston in December 1974.

- (3) A Drake L4D Amplifier listed in procurement files and valued at \$733.26 was not listed on the computer inventory printout although it was later found in DPA's communication center.

In addition to obvious weaknesses in property control records, the Council could find no record of periodic inventory inspections or the results of such inspections. The absence of adequate property controls could result in property being lost, misused, or stolen without the agency being aware of it.

Further, non-compliance with guidelines in FMC 74-7 could result in expenditures of Federal funds being disallowed, thus necessitating a refund by DPA at State expense, or curtailment of Federal funding until weaknesses in the property control system are rectified.

Recommendation:

- (8) DPA SHOULD ESTABLISH WRITTEN PROCEDURES FOR PROPERTY CONTROL (see also RECOMMENDATION #5). IN ADDITION, DPA SHOULD CONDUCT A COMPLETE AND DETAILED INVENTORY OF ALL AGENCY PROPERTY, LISTING EACH ITEM WITH A DESCRIPTION OF THAT ITEM, ITS AGENCY PROPERTY IDENTIFICATION NUMBER, ITS VALUE, ITS LOCATION, THE SOURCE FROM WHICH IT WAS PROCURED, AND ITS MANUFACTURER'S SERIAL NUMBER.

THIS INFORMATION SHOULD BE SUPPLIED
TO THE DIVISION OF GENERAL SERVICES'
COMPUTERIZED INVENTORY RECORD SYSTEM.
A PERIODIC INVENTORY INSPECTION
SYSTEM SHOULD BE INSTITUTED AND THE
RESULTS DOCUMENTED.

UNNECESSARY AIRCRAFT PROCUREMENT AND TRAINING OF PILOTS

The control and operation of an aircraft by DPA and the training of two DPA personnel as pilots to operate the aircraft duplicate functions now performed by the South Carolina Aeronautics Commission. The Aeronautics Commission maintains its own airplanes, helicopters, and pilots for use by State officials. While the Aeronautics Commission has no specific legislative mandate to provide such services, it appears that this practice was initiated in order to facilitate transportation for Governors of the State and has expanded to include other State officials in the recent past. (see Appendix I). These services are available to DPA.

DPA acquired an aircraft (Cessna 310/U3A, Serial #38138) through the Federal Excess Property Program in 1973. While there was no purchase expenditure necessary, repairs to make the plane airworthy cost \$38,000.90. These expenditures were made without using the bidding procedures as required by State law for contracts of \$1,500.00 or more (Act No. 1136, Part II, Section 18, 1974). There is at least one other company in the Columbia area qualified to perform the necessary repairs.

In addition to expenditures for repairs, DPA has spent \$884.56 for flight testing and other fees to qualify two agency personnel to pilot the aircraft.

The Attorney General's Office issued an opinion on the subject of DPA's aircraft expenditures. The opinion, dated February 21, 1975, stated that the agency could renovate the airplane "...so long as the acquisition and maintenance of that airplane is reasonably necessary to accomplish its purposes of civil defense" (Emphasis added). The Defense Civil Preparedness Agency, Department of Defense, Region III, writing to DPA in April 1975 on airworthiness of aircraft said, "...that while aircraft are desirable items of equipment useful to civil defense, in actuality they are not items required for civil defense purposes" (Emphasis added).

It is evident from agency records that the need for an aircraft within DPA is slight. Since early 1974, the agency has only used aircraft on two occasions for what can loosely be described as "emergency purposes". Leased airplanes were used to fly officials to Hilton Head when the bridge was being repaired (March 1974) and Navy divers were flown from Charleston to Chester following a drowning (April 1975).

Since acquiring its own aircraft the agency has never used it for emergency purposes. Such limited usage does not justify the possession of an aircraft by DPA.

From September 1975 through January 1976, thirty-five flights were made with the DPA aircraft. Only four of these flights were made by DPA for official business. Six flights were made by the Aeronautics Commission and other agencies. Twenty-five flights were for training and maintenance.

The expenditure of \$38,885.46 by DPA, for an aircraft and the training of two pilots duplicates the resources made available to State agencies by the Aeronautics Commission and has resulted in the inefficient and ineffective use of State funds.

Recommendations:

- (9) DPA'S AIRCRAFT SHOULD BE TURNED OVER TO THE AERONAUTICS COMMISSION FOR USE BY ALL AUTHORIZED STATE AGENCIES AND OFFICIALS, IF SUCH PRACTICE IS APPROVED BY THE GENERAL ASSEMBLY (see APPENDIX I). DPA SHOULD BE ALLOWED FULL ACCESS AND CONTROL OVER THAT AIRCRAFT OR A SIMILAR AIRCRAFT IN THE EVENT OF A DISASTER OR EMERGENCY.
- (10) ALL EXPENDITURES OVER \$1,500.00 SHOULD FIRST BE LET OUT FOR BIDS FOLLOWING THE SYSTEM REQUIRED BY STATE LAW.
- (11) PRIOR TO THE PROCUREMENT OF ANY MAJOR PROPERTY OR EQUIPMENT ITEMS, IT SHOULD BE DETERMINED WHETHER THERE IS A REAL NEED FOR THE ITEM AND IF SUCH PROCUREMENT WOULD RESULT IN AN UNNECESSARY DUPLICATION OF FUNCTION, EQUIPMENT, OR PROPERTY AMONG AGENCIES.

INAPPROPRIATE USE OF STATE-OWNED VEHICLES

Examination of DPA use of four agency-owned cars and vans and five cars leased from General Services Division, indicates that this agency does not have adequate control over the use of State-owned vehicles by agency personnel.

The four vehicles owned by DPA are: a car for the Director, a station wagon containing communications equipment used by a person assigned as "duty officer", and two communications vans used for mobile emergency operations centers.

The five leased vehicles are assigned to the Deputy Director, who in turn has assigned them to five agency personnel who are responsible for maintaining them and scheduling their use for official State business.

Only two of the vehicles operated by the agency have seals affixed to them indicating that they are DPA vehicles. The remainder have no State or agency seal. The absence of such seals makes it difficult to identify them. Thus, unauthorized use is not deterred to the extent it would be if seals were present.

The Legislative Audit Council could find no trip or maintenance logs documenting the use of these vehicles, and further investigation indicated that these vehicles were used for transportation to and from work. Odometer readings were checked on three of the leased vehicles. It was found that their non-official (to and from work) mileage for one year would be approximately 18,000 miles. At the General Services' lease rate of twelve cents per mile, this amounts to an expenditure of \$2,160.00 in State funds.

The use of State-owned vehicles for transportation to and from work does not enhance DPA's ability to achieve its goals, and the expenditure of State funds for purposes other than achieving the mandated goals of the agency is, at best, inappropriate.

In accordance with State and Federal tax laws, travel to and from work is not an allowable business expense deduction. Therefore, such travel provided to State employees should be considered

supplemental income for tax reporting purposes and constitutes remuneration beyond that authorized by the State of South Carolina.

In addition to the obvious expense to the State from unauthorized use of State-owned vehicles, the lack of documentation also makes it possible for agency personnel to claim mileage for use of a private vehicle while actually using State-owned vehicles for travel.

Recommendations:

- (12) DPA SHOULD INSTITUTE FORMAL, WRITTEN PROCEDURES FOR MONITORING, DOCUMENTING, AND RECORDING THE USE AND MAINTENANCE OF STATE VEHICLES TO ENSURE THAT SAID VEHICLES ARE PROPERLY AND EFFICIENTLY UTILIZED AND MAINTAINED (see also RECOMMENDATION #5).
- (13) THE USE OF GENERAL SERVICES DIVISION'S LEASED VEHICLES TO DRIVE TO AND FROM HOME AND WORK SHOULD BE IMMEDIATELY DISCONTINUED.
- (14) ALL AGENCY VEHICLES SHOULD BE IDENTIFIED AS SUCH USING AGENCY SEALS OR, IF AGENCY SEALS ARE IMPRACTICAL, STATE SEALS.

INADEQUATE TRAVEL PROCEDURES

DPA lacks formal, written procedures for controlling all aspects of travel by agency personnel. These practices do not enable the agency to adequately control and document travel authori-

zations and expenditures.

During the 1975 fiscal year, DPA expended \$73,080 for travel. This amounts to nearly \$2,000 for each person in the agency (excluding clerical and support personnel). This appears to be an inordinate level of travel expenditure for this agency. The lack of procedures for documenting and authorizing these expenditures results in a lack of accountability for the proper and responsible use of public funds.

Recommendation:

- (15) DPA SHOULD DEVELOP AND IMPLEMENT FORMAL, WRITTEN PROCEDURES FOR ALL TRAVEL BY AGENCY PERSONNEL. THESE PROCEDURES SHOULD BE INCLUDED IN THE AGENCY MANUAL (see RECOMMENDATION #5), AND SHOULD COMPLY WITH ALL APPLICABLE STATE AND FEDERAL REQUIREMENTS AND THE ADDITIONAL TRAVEL RECOMMENDATIONS FOUND IN SUCCEEDING SECTIONS OF THIS REPORT.

INEFFICIENT USE OF AIR TRAVEL

The Legislative Audit Council's review revealed that DPA utilized chartered aircraft for non-emergency travel when more economical modes of transportation, including commercial airlines, were available. This is contrary to State travel regulations, which read "...transportation to and from points of arrival and departure will be accomplished by the most economical method".

During the first half of FY 76, DPA was billed for thirteen flights costing \$3,329.99. Four of these flights were made using Aeronautics Commission or chartered aircraft. Examination of all available documentation including travel authorizations, travel vouchers, disbursement vouchers, and invoices did not provide adequate justification for the use of chartered aircraft rather than commercial air carriers. These four chartered flights cost the agency \$1,455.35, whereas commercial travel would have cost \$621.32. Utilizing commercial aircraft would have saved the State \$834.03 (see Table # I).

In November 1974, DPA chartered an airplane to fly from Columbia to Greenbriar, West Virginia and return. This trip was to pick up two agency officials attending a national conference at White Sulphur Springs, a resort in West Virginia. This flight cost \$370.00. The commercial air fare as of January 1976 was \$51.10 per person for a one-way trip in tourist class. If DPA had used a commercial airline at the present rate, the trip would have cost \$102.20, saving the State \$267.80.

The Legislative Audit Council feels that there are very few instances which would justify the use of chartered aircraft.

Recommendation:

- (17) DPA SHOULD USE THE MOST ECONOMICAL
MODE OF TRANSPORTATION FOR ALL TRAVEL
EXCEPT IN CASES WHERE DISASTERS OR
EMERGENCIES REQUIRE THE USE OF
CHARTERED AIRCRAFT. IN ALL INSTANCES

IN WHICH IT IS NECESSARY TO UTILIZE
MORE EXPENSIVE MODES OF TRANSPORTATION,
THE REASONS FOR SUCH EMERGENCY TRAVEL
SHOULD BE COMPLETELY DOCUMENTED AND
EXPLAINED.

INSUFFICIENT DOCUMENTATION OF TRAVEL EXPENSES

DPA's documentation requirements for travel expenses incurred by its employees are inadequate. While standard travel authorization forms and reimbursement vouchers are used in accordance with State regulations, DPA does not require receipts for lodging expenditures. The absence of these receipts results in the agency administrators being unable to verify the validity and amount of such expenditures.

In addition, the Council's review of travel disbursement vouchers revealed that all claims for reimbursement of travel expenses examined were for the maximum amount allowed by State regulations. This brings into question the legitimacy of the reimbursement requests. State travel regulations specify that "...employees shall be allowed reimbursements for actual subsistence expenses incurred and paid" not to exceed the established ceiling rates. (Emphasis in the original). The absence of documentation makes it impossible to determine whether reimbursement requests were for the actual amount and whether the expenses were justified.

The potential for errors, misrepresentation, and fraud is increased and the agency is unable to ensure that travel funds appropriated to it are utilized in the most efficient and economical manner possible.

Recommendation:

- (18) DPA SHOULD REQUIRE THAT ALL REIMBURSEMENT REQUESTS FOR OVERNIGHT TRAVEL BE DOCUMENTED BY RECEIPTS FOR LODGING EXPENSES AND SHOULD

ENSURE THAT ALL TRAVEL REIMBURSEMENTS
ARE FOR ACTUAL EXPENSES AS REQUIRED BY
STATE REGULATIONS.

DOCUMENTATION INSUFFICIENT TO PREVENT DOUBLE REIMBURSEMENT

DPA does not require supporting documentation which would prevent double reimbursement for travel to its employees. The agency requires that a "Travel Authorization" form be utilized to support claims for travel reimbursement. The form does not contain the necessary information to determine the number of State employees traveling or whether a personal or State car is being utilized. As a result, it cannot be determined whether the owner of the car is the only person receiving mileage reimbursement. The absence of such information reduces an administrator's ability to verify travel reimbursement requests and can lead to the misuse of agency resources.

Management must be able to ensure that all travel expenses claimed by an employee are allowable and legitimately reimbursable.

Recommendation:

(19) DPA SHOULD REQUIRE PERSONS CLAIMING REIMBURSEMENT FOR TRAVEL TO IDENTIFY ALL OTHER STATE EMPLOYEES TRAVELING WITH THEM. THIS INFORMATION SHOULD BE INCORPORATED INTO THE FORMAT OF THE "TRAVEL AUTHORIZATION" FORM.

INADEQUATE PERSONNEL FILES

DPA does not collect adequate data concerning the utilization of agency personnel. Thus, there is no information available which

measures the amount and quality of work performed by agency personnel within a given time frame. The time and attendance system used by the agency is designed to control sick leave and vacation time (annual leave) and not to collect information concerning the work performed by agency personnel.

In addition to the lack of information concerning actual work activities, the agency does not maintain adequate files on individual personnel, job qualifications, applications, and related employment information. An examination of 46 agency personnel files revealed that most personnel records lacked such important documentation as resumes, job applications, letters of reference, criteria for hiring, and test scores (where applicable). It was found that only 17 percent of the files contained either a resume or job application. Personnel actions and performance appraisals were not found in 35 and 30 percent of the files, respectively. There was not any one document that was contained in every personnel file.

DPA expended \$520,000 (60%) of its operating budget for FY 75 for personal service. Accountability for an expenditure of this magnitude is of great importance and can only be attained by using a good personnel management system.

The absence of adequate personnel records brings into question the reliability of the personnel management system. Adequate records are necessary to justify the presence of an individual based on qualifications for the position that person fills. Without such documents as resumes, job applications and test results to justify hiring, the agency is open to accusations of

discrimination, cronyism, and other undesirable hiring practices. In addition, the absence of performance appraisals and other evaluative documents can result in unjustifiable salary increases and promotions.

Recommendations:

- (20) DPA SHOULD INSTITUTE A TIME AND ATTENDANCE REPORTING SYSTEM THAT REQUIRES AGENCY PERSONNEL TO ACCOUNT FOR ACTIVITIES ON A DAILY BASIS. THE EXPLANATION OF WORK PERFORMED SHOULD BE BRIEF, BUT IT SHOULD SPECIFY THE ACTIVITIES OF THE REPORTING INDIVIDUAL. THIS SYSTEM SHOULD BE INCORPORATED INTO THE OPERATIONS MANUAL FOR THE AGENCY (see RECOMMENDATION #5).
- (21) DPA SHOULD ENSURE THAT AGENCY PERSONNEL FILES CONTAIN ALL THE INFORMATION NECESSARY TO JUSTIFY PERSONNEL HIRED BY THE AGENCY AND THAT ALL DATA APPROPRIATE TO DECISIONS CONCERNING HIRING, PROMOTION, SALARY INCREASES, AND OTHER PERSONNEL ACTIONS IS ALSO PRESENT IN THESE FILES.

DUPLICATION OF ACCOUNTING ACTIVITY

The Legislative Audit Council investigation revealed that portions of the general bookkeeping ledgers and disbursement expenditure vouchers maintained by the agency's accounting department are duplicated in various divisions of the agency. The

Nuclear Civil Protection Division maintains a duplicate general ledger as well as the subsidiary ledgers for Nuclear Civil Protection and the Training and Education Division. The Planning Division also maintains a duplicate general ledger as well as the subsidiary ledger for its activities. The divisions also maintain duplicate copies of their respective disbursement vouchers.

While it appears that this duplication resulted from an attempt to distribute the workload of the central accounting department, it is not a good management practice to have such duplication of effort within an agency. Although the workload distribution problem may have been relieved, the solution represents inefficient use of agency personnel and money.

Recommendation:

(22) DPA SHOULD CENTRALIZE THE ACCOUNTING PRACTICES FOR ALL DIVISIONS TO AVOID DUPLICATION. THIS FUNCTION SHOULD BE PROPORTIONATELY CHARGED TO EACH DIVISION USING AN INDIRECT COST METHOD (see RECOMMENDATION #4).

UNNECESSARY ALLOCATION FOR VEHICLE REPLACEMENT

DPA has budgeted a total of \$6,500.00 for use in replacing agency motor vehicles. The Administrative Division has received approval to expend \$3,000.00 in FY 76 to replace a 1973 Plymouth Station Wagon. This vehicle was purchased in January 1973, and

had 33,463 miles of use as of February 2, 1976. The Division has requested \$3,500.00 in FY 77 to replace a 1974 Dodge purchased in November 1973. This vehicles' odometer showed 37,346 miles on January 21, 1976. Neither vehicle appears to have reached a level of usage that would justify its replacement.

Agencies should strive toward maximum utilization of equipment in an effort to conserve public resources, especially during periods of economic uncertainty. However, the agency has budgeted \$6,500.00 of FY 76 and FY 77 funds for purposes which appear to be unnecessary in that it is likely that the useful life of the vehicles to be replaced could be extended for one more year.

Recommendation:

(23) DPA SHOULD DEFER THE COST OF REPLACING
THESE VEHICLES FOR ONE YEAR. \$3,000.00
OF FY 76 FUNDS APPROPRIATED UNDER THE
ADMINISTRATIVE DIVISION'S LINE ITEM
#20604 - MOTOR VEHICLES AND EQUIPMENT -
SHOULD BE RETURNED TO THE GENERAL FUND.

NEED FOR IN-HOUSE PRINTING COST DATA

DPA does not maintain a system for measuring and reporting the volume and cost of its in-house printing and duplication. The agency produces numerous publications with in-house facilities. However, it keeps no records of what is produced, or of the volume or cost of its operation. The major cost components of in-house printing/duplicating shops are equipment, employee time, paper, and ink. DPA has no way of measuring these and other costs. Therefore, it cannot evaluate the necessity of this operation.

This could result in the unnecessary expenditure of State funds.

Recommendation:

(24) DPA SHOULD ESTABLISH A SYSTEM FOR RECORDING COST AND VOLUME DATA FOR THE WORK HANDLED BY ITS PRINTING/DUPLICATING SHOP. A STANDARDIZED JOB PAD SHOULD BE USED TO LOG ALL JOBS. THE FORM SHOULD ALLOW FOR THE COMPUTATION OF MONTHLY VOLUME AND COST DATA. AFTER DETERMINING THE COST OF THIS OPERATION, DPA SHOULD SURVEY ALL SUCH PRINTING SERVICES THAT ARE AVAILABLE THROUGH OTHER STATE AGENCIES (SUCH AS GENERAL SERVICES) OR IN THE PRIVATE SECTOR. IF LESS EXPENSIVE ALTERNATIVES ARE FOUND, DPA SHOULD CEASE OPERATION OF ITS PRINTING/DUPLICATING SHOP.

CONCLUSION

This audit report addresses many areas of concern and presents many recommendations for improvements in the efficiency, effectiveness, and accountability of DPA. We feel that the proper implementation of our recommendations can do much to improve the agency.

But the overriding issue here, and the root of most of DPA's problems, is that the agency is not directly accountable to any higher governmental authority. We feel that relocation of DPA in the Governor's Division of Administration will solve this major problem and will eliminate many others.

It is the intent of the Legislative Audit Council that its findings and recommendations be viewed as constructive efforts. The Council hopes that the readers of this report will accept these recommendations as guidelines for making improvements to benefit DPA, State Government in general, and the citizens of South Carolina.

A P P E N D I X

APPENDIX I

The role of the South Carolina Aeronautics Commission in the area of providing aircraft for use by State officials is not sufficiently defined. The Code of Laws of South Carolina charge this agency with "...the enforcement of [the Uniform State Aeronautical Regulatory Law] and the general promotion of aeronautics within the State. (Sec. 2-54).

More specifically, the Commission is authorized to promulgate rules and regulations concerning airports, safety, air instruction, air navigation facilities, intrastate airlines, and other related areas (Secs. 2-55, 2-82), to investigate aeronautical accidents or breaches of the aeronautics law (Sec. 2-62) and to enforce the aeronautics law (Sec. 2-66). The Code does not authorize this agency to provide aircraft and pilots for use by State officials.

It appears that this practice has developed over the past fifteen or so years, but it has not been formally legitimized by legislative action. The Legislative Audit Council feels that such action is desirable if the General Assembly and the Governor determine that providing aircraft and pilots for use by State officials is an appropriate function of the Aeronautics Commission.

If this function is approved and mandated, it is important that the use of State aircraft be strictly regulated. The Budget and Control Board should develop guidelines and procedures which would ensure that all such use is for official State business and that the most economical mode of transportation is utilized in all possible cases.

TABLE I : - ANALYSIS OF FOUR OUT-OF-STATE CHARTERED FLIGHTSDISASTER PREPAREDNESS AGENCY

<u>DESTINATION * OF TRIPS</u>	<u>DATE OF TRIP</u>	<u>NUMBER OF AGENCY PERSONNEL TAKING TRIP</u>	<u>COST TO DPA FOR CHARTERED FLIGHTS</u>	<u>COMMERCIAL RATES AT DATE OF TRIP</u>	<u>COST IF TRIP MADE ON COMMERCIAL AIRLINE</u>	<u>DIFFERENCE BETWEEN COMMERCIAL AIRLINE COST AND CHARTERED FLIGHTS</u>
1. Columbia, SC to Lexington, Ky. and return	9/30- 10/1, 1975	2	\$ 535.35	\$178.94 round trip	\$357.88	\$ 177.47
2. Tallahassee, Fla. to Columbia, SC	9/29/75	2	340.00	49.74 one way	99.48	240.52
3. Greenbriar, W. Va. to Columbia, SC	11/16/74	2	370.00	51.10** one way	102.20	267.80
4. Columbia, SC to Raleigh-Durham North Carolina	7/27/75	2	210.00	30.88 one way	61.76	148.24
			<u>\$1,455.35</u>		<u>\$621.32</u>	<u>\$834.03</u>
			Total cost of chartered flights		Total cost if trip on Commercial Airline	Total possible savings

* On one-way trips for the agency personnel, the chartered plane still had to make a round trip - from Columbia to destination and return.

** The rates for 11/74 were not available. These are rates as of 2/76.